

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

July 31, 2006

Vana Olson, Director
Department of Public Works
825 E Third Street
San Bernardino, CA 92415

**SUBJECT: OPERATIONAL AUDIT – COST ACCOUNTING MANAGEMENT
SYSTEM**

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter and the Board of Supervisor's Policy Statement on Internal Operational Auditing, we have completed phase I of the operational audit of the new cost accounting management system (WinCAMS) being implemented by the Department of Public Works. Our audit evaluated the system and its components as of March 31, 2006 and was made in accordance with the International Standards for the Professional Practice of Internal Auditing.

Background and Scope

The operational audit of the new cost accounting management system (WinCAMS) was to be conducted in the following three phases:

- Phase I: This phase will identify the users; reports relied upon by parties external to the Department, and the timeline for implementation. This phase will also identify and rank the risks associated with inaccurate and late reports, transactions, and documents when furnished to external parties. (See Appendix A and B)
- Phase II: This phase will update the risk ranking and reevaluate the highest ranked risks prior to the new FAS implementation.
- Phase III: This phase will reevaluate the risks identified in Phase II, including any additional new risks, after the new FAS implementation.

During all phases of our audit, we will conduct the following:

- Evaluate the cost accounting system's impact on the general business objectives of reporting and compliance.
- Review of the effects that the cost accounting system has on Departments external to those using the system.

The first phase of this audit was conducted to identify and rank the risks associated with inaccurate and late reports, transactions, and documents that are furnished to external parties. We also evaluated the accuracy of the cost accounting system's calculations in regards to depreciation and made recommendations to improve internal control procedures over the system.

A draft report was sent to the Department on March 9, 2007 and was discussed with management on May 9, 2007. The department's responses to our recommendations are included in the report.

Conclusion

As a result of the first phase of the audit we have assessed the overall risk related to inaccurate and late reports, transactions, and documents that are furnished to external parties to be medium/low. We found the cost accounting system's calculations in regards to depreciation to be accurate. However, we determined the internal controls over the software application need to be improved. The Department's Computer Policy #5, a policy that governs the proper use and safeguarding of the Department's computer assets, does not appear to adequately mitigate the risks associated with the WinCAMS systems internal control weaknesses. However, the Department's position is that Computer Policy #5, the Department's entire computer network policies and procedures manual, is sufficient enough to remedy the auditing findings identified during the course of the audit. Furthermore, the Department feels implementing the system and security controls indicated in our recommendations would not be cost effective.

FINDINGS AND RECOMMENDATIONS

Based on the results of our audit, we identified the following audit finding:

Finding: There is a lack of segregation of duties among critical functions of the system.

Good internal controls require a proper segregation of duties among critical functions within a department.

Currently, the duties of system administrator, security administrator, and database administrator are performed by the same person. In addition, the responsibilities of the application programmer and the source code librarian are also assigned to the same person. The Department currently does not possess adequate staffing to allow for the proper segregation of duties.

The Department could be negatively impacted by allowing one person to be responsible for all the major operating functions of the system. If key personnel were to be absent for an extended period of time, the Department could possibly be forced to cease production, as there currently is no back-up personnel to help remedy any unforeseen system problems.

Recommendation

Management should separate the system's major operating functions to more than one staff member. If current staffing will not allow for the proper segregation of duties, then management should implement more mitigating controls to provide reasonable assurance that the department can effectively continue production in the absence of key personnel.

Management's Response

The Department has a written security policy (#5) this policy covers all systems within the department.

The system records the last user to access each important function within the application. Examples include: Timecard submittal, approval, and payroll audit. All activities associated with Posting are recorded. All add, delete and changes in system user account security are recorded.

Segregation of duties exists between the Server/LAN Administrator and the Application Business Analyst providing one level of oversight. However, a BSA I position is included in the FY07/08 budget to assist in further segregation of specific duties.

AudRpt/Vana Olson, Director
Department of Public Works
July 31, 2006
Page 4

Respectfully submitted,

LARRY WALKER
Auditor/Controller-Recorder

By: HOWARD M. OCHI, CPA
Chief Deputy Auditor

Quarterly copies to:

County Administrative Office
Board of Supervisors (5)
Grand Jury (2)

Audit File (3)
Date Report Distributed: 6-26-07

LDW:HMO:PG:wds.3

APPENDIX A

County of San Bernardino DPW-Trans./Flood Control Identification and Ranking of Risk

Documents Submitted to External Departments/Agencies	Risk Significance* (Yes/No)	Risk of Inaccurate Reporting (High/Medium/Low)	Risk of Late Reporting (High/Medium/Low)	Overall Risk to the Department (High/Medium/Low)	Risk Ranking (1-5, 1=high, 5=low)	Follow-up Required during Phase II/III of Audit
Timecards	Yes	Medium	Medium	Medium	3	No
Time & Labor Reports	Yes	Medium	Medium/Low	Medium/Low	4	No
Project Cost Reports	Yes	Low	Medium/Low	Medium/Low	4	No
Off Road Fuel Usage Report	No	Low	Low	Low	5	No
Annual Road Report	Yes	Medium	Medium	Medium	3	No
JV-RTs (Fund Transfers/Depreciation)	Yes	High	Medium	High/Medium	2	No, as this portion of the system was tested during the transaction testing

*The yearly dollar amount of the report exceeds \$1,000,000.

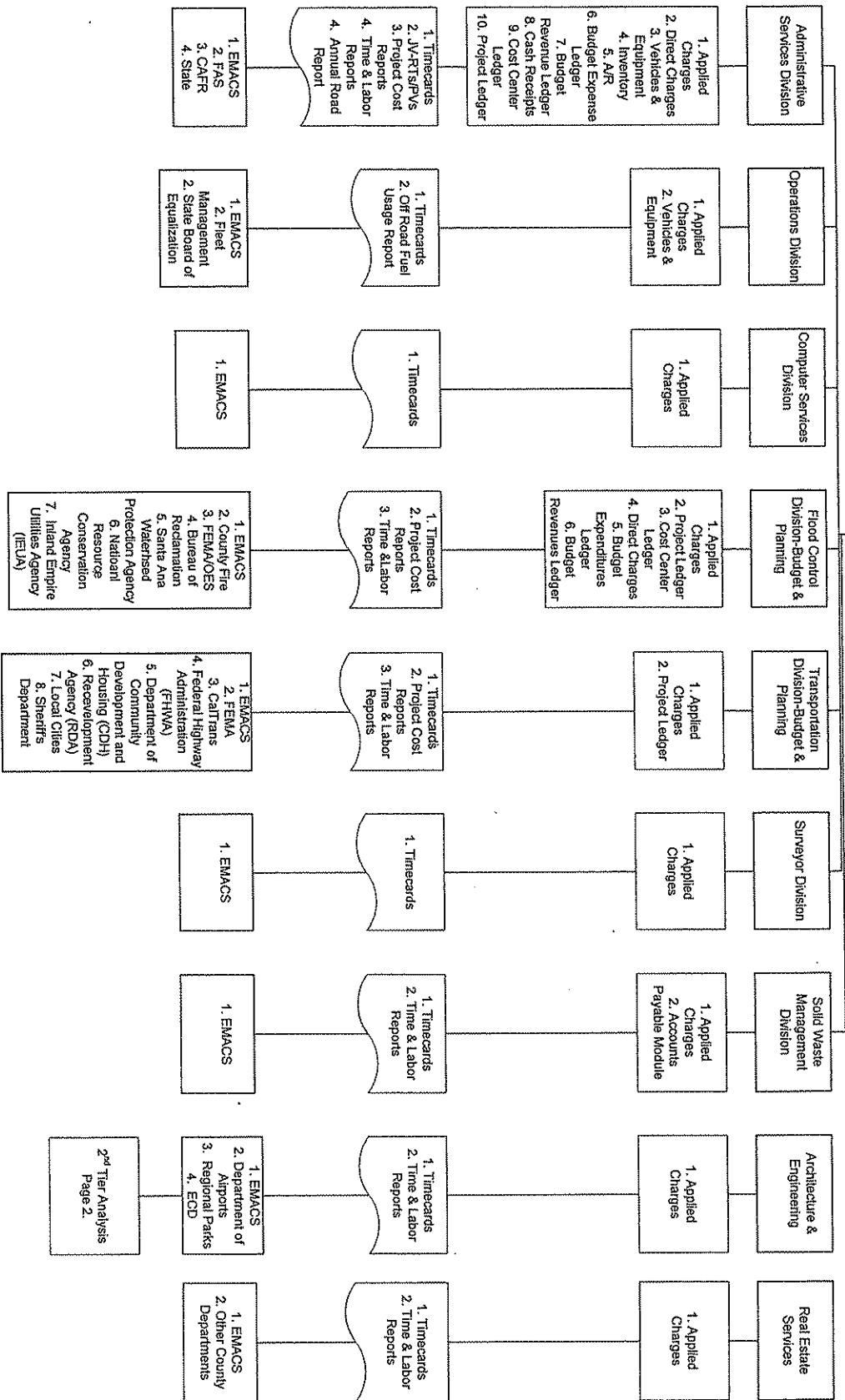
Department of Public Works

WINCAMS System Users

System Modules Used

Documents and Reports Produced

External Agencies/ Dept. Using the Info Produced by WINCAMS System



APPENDIX B

2nd Tier Analysis

Dept. Using WINCAMS
Information furnished from
Public Works

Documents and Reports
Produced

External Agencies/Dept.
Using Info Produced by
WINCAMS

